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STATE FOR DEPUTY SECRETARY NEGROPONTE
DEFENSE FOR SECRETARY GATES AND CJCS ADMIRAL MULLEN
PACOM FOR ADMIRAL KEATING
FROM AMBASSADOR ROBERT D. MCCALLUM JR

E.O. 12958: DECL: 02/12/2018

TAGS: PREL MARR OTRA AS

SUBJECT: SCENE SETTER FOR AUSMIN 2008

Classified By: Ambassador Robert D. McCallum, Jr., for reasons 1.4(b)(d).

SUMMARY

¶1. (SBU) AUSMIN 2008 takes place just three months after the Australian Labor Party (ALP) government of Kevin Rudd swept to power, decisively defeating John Howard and his Liberal/National coalition after eleven years in office. While domestic issues such as workers' rights, climate change, health and education resonated with voters, fatigue with the Howard government and a desire for change ultimately propelled Rudd to victory. Rudd, a former diplomat and longtime Shadow Foreign Minister, inherited an economy in its 17th straight year of growth, with unemployment at a 30-year low, and enviable federal budget surpluses. While foreign affairs did not play a dominant role in the campaign, Rudd pledged to withdraw combat troops from Iraq in mid-2008 and to be a more independent voice in international affairs, adroitly tapping into the widespread public perception that Australia was too closely aligned with U.S. policies. Nonetheless, the ALP has always maintained its commitment to Australia's alliance with the United States, and Rudd moved quickly to reach out to the United States and send his key officials to engage with their USG counterparts.

¶2. (SBU) The Rudd government has ordered a comprehensive review of defense policy, including review of some major defense acquisitions from the United States, slowing or postponing bilateral cooperation in some areas, such as missile defense. While the review may not be completed for some months, we expect the Rudd government to exhibit strong continuity in foreign policy issues of strategic interest to us, and to parallel the U.S. approach and thinking on major global challenges. He is likely to be strongly supportive on tough arms control and nonproliferation issues, including denuclearization of North Korea and Iran. Rudd has declared Australia will not export uranium to India because it has not signed the Nuclear Nonproliferation Treaty. He has not yet decided, however, whether Australia will support an exception for the U.S.-India civil nuclear agreement in the Nuclear Suppliers Group and IAEA. We can expect Australia's continued contributions to military operations targeting the Taliban and al-Qaeda in Afghanistan, and a continued non-combat role in Iraq. The small size of its military - 52,000 personnel - and demands of deployments elsewhere, most recently in response to the attempted coup in East Timor, mean Australia will likely be unable to increase the level of its deployments for some time to come. Despite this, we are confident Australia will remain one of our closest allies and most reliable security partners for the foreseeable

future. End Summary.

U.S. Alliance

13. (SBU) The Australian Labor Party (ALP) takes credit for establishing the alliance with the United States during World War II, which ultimately led to the 1951 Australia-New Zealand-United States (ANZUS) Treaty. The ALP continues to include support for the U.S. alliance as one of the three pillars of the party platform. Rudd has made clear Australia's commitment to the alliance, and was quick to reach out to the United States in his election victory speech - the only foreign country he mentioned. He met with the U.S. Ambassador before meeting other foreign envoys, and his key Cabinet ministers - Foreign Minister Stephen Smith and Defence Minister Joel Fitzgibbon - met Secretary Rice and Secretary Gates as their first order of business within weeks

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of being sworn in. Rudd stressed in his campaign that he would be more independent from the United States than his predecessor, however, and has already flagged some key policy differences.

Iraq

14. (C/NF) Rudd and his defense and foreign affairs ministers have already begun to engage with their U.S. and UK counterparts to discuss withdrawal of approximately 515 combat troops comprising the Overwatch Battle Group from southern Iraq in mid-2008, while leaving in place

approximately 1,000 defense personnel, including a 100-man security detachment for its diplomatic mission in Baghdad, and naval and air patrol assets based in neighboring countries that support operations in both Iraq and Afghanistan. While the Australian combat troops have a passive, back-up role to Iraqi security forces, rather than an active combat role, they have served as an important symbol of Coalition unity and of Australia's support of the U.S. in the Global War on Terror. Beyond the redeployment of the combat element, the Australians plan to remain engaged in Iraq in reconstruction and other non-combat roles, and the Cabinet will soon consider proposals for additional training and technical assistance. In the meantime, the GOA has begun working with the U.S. and Iraq on deployment requirements after the current UN mandate lapses.

Afghanistan

15. (C/NF) Unlike Iraq, there has been bipartisan support in Australia up to now for its troop commitment in Afghanistan, and the Rudd government has reaffirmed that it plans to remain in Afghanistan for the "long haul." Support for Australia's combat role in Afghanistan is linked in part to the presence of al-Qaeda and the Taliban, who trained bombers that killed 202 civilians, including 88 Australians, in Bali in 2002, as well as to the impact of the Afghan drug trade on Australia. The Australian government is considering deploying an Operational Mentoring and Liaison Team (OMLT) to help train the Afghan National Army and additional civilian development assistance, but is not currently contemplating increasing its combat forces. Three Australian soldiers have been killed in Afghanistan in recent months; Australian public opinion may begin to turn against a military role in Afghanistan if casualties increase, especially if NATO countries continue to show reluctance to fight in south Afghanistan.

Climate Change

16. (SBU) One area where the Rudd government's policy diverges somewhat from ours is climate change, a topic that resonates strongly in Australia where many see a direct causal link with a series of recent, very severe droughts. The United States is widely - and mistakenly - viewed in Australia as being opposed to meaningful greenhouse gas reductions. PM

Rudd ratified the Kyoto Protocol within hours of being sworn in, a largely symbolic and cost-free gesture, as Australia is already meeting its Kyoto targets. He also attended the Bali meeting in December 2007 where he committed to working out a post-2012 climate change framework. Australia's position on the post-2012 framework is close to that of the United States. Rudd has pledged that Australia would not sign a post-Kyoto framework that does not include commitments to reduction targets by developing countries such as China and India. Under Rudd, Australia is committed to a cap and trade system and plans to set emissions targets in six months, with a system up and running by 2010.

17. (SBU) The government has set a target of using renewable energy for 20 percent of its energy needs by 2020. Both initiatives will increase the price of energy, but economists estimate that, as a result, GDP growth would decrease by less than one-half of one percent. Rudd believes in the importance of clean coal technology to the global effort and the special responsibility of Australia, the world's largest coal exporter, to develop and share those technologies with countries that depend on coal for a substantial part of their energy needs, such as China and India. He would prefer to concentrate on "getting coal right" instead of developing a nuclear power industry. The Prime Minister recently told a U.S. Congressional delegation the one missing element in the global effort to cope with climate change was U.S. leadership. He believes that if U.S. would commit itself to achievable emissions targets, it would prevent China and India from citing lack of U.S. participation as an excuse for refusing to make commitments in a post-Kyoto agreement.

China

18. (C/NF) An important dynamic in the U.S. relationship with a new Labor government is China. Rudd shares our position that China needs to be encouraged to be a responsible stakeholder in the international system, and he has previously expressed support for the U.S. in any conflict over Taiwan. Rudd views the Chinese export market as a critical component of Australia's growth now and well into the future. PM Rudd's background as a Mandarin-speaking former diplomat who served in Beijing have led some to believe that he might be overly sensitive towards China, but he has assured the Ambassador that he does not view China through "rose-colored glasses." Early signs are that the Rudd government will be tough or tougher than its predecessor on China's military modernization, transparency, and human rights, judging by Rudd's statements and the inaugural Strategic Dialogue with China on February 4-5. Rudd opposes entering into a defense pact with Japan and to continuing quadrilateral discussions between the U.S., Australia, Japan and India in part because of Chinese sensitivities.

Defense Cooperation and National Security Policy

19. (SBU) Australia is a large consumer of U.S. defense hardware and technology, consistent with its objective of interoperability. Foreign Military Sales (FMS) in 2007 were \$3 billion. Australia has selected the Aegis Combat Control System for its three air warfare destroyers that will come into service in 2014, 2016, and 2017, respectively. The F/A-18 aircraft is the principal combat aircraft of the Royal Australian Air Force (RAAF), backed by the U.S.-built F-111 strike aircraft. Pending review by the Rudd government, Australia will acquire 24 Boeing F/A-18F Super Hornet fighters to maintain an interim strike capability between the phase-out of the F-111s by 2010, and the projected acquisition of up to 100 F-35 Joint Strike Fighter aircraft during 2013-2020. If approved in the review, deliveries of the Super Hornet would commence in 2010. The RAAF has received three of four C-17 strategic airlift aircraft purchased, and is acquiring Boeing's Airborne Early Warning and Control system (referred to as Wedgetail). Recent sales to the Royal Australian Army include the M1A1 tank, as well as Hellfire and JAVELIN missiles. Negotiations were held in

January on the U.S.-Australia Defense Cooperation Treaty's Implementing Arrangements, although the parallel U.K. agreement leads any progress on the Australian document. Australian industry hopes implementation will streamline and increase defense technology exchange and trade. The Australian Defence Materiel Organisation estimates a 50 percent reduction in export licenses required following treaty implementation. Australia is purchasing a Wideband Global SATCOM (WGS) satellite that will be incorporated into the U.S. DOD's WGS five-satellite constellation.

¶10. (S/REL AUS) President Bush and then Prime Minister Howard agreed during the September 2007 APEC meeting to strengthen combined capabilities and U.S. military access to Australia, referred to as Enhanced Defense Cooperation, an agenda item at the upcoming AUSMIN. Both sides subsequently agreed to focus on three areas: enhancing the Joint Combined Training Capability; prepositioning equipment for Training Capability; prepositioning equipment for Humanitarian Assistance and disaster relief (HA/DR) operations in the region (an MOU may be ready for signature at AUSMIN); and strengthening Intelligence, Surveillance and Reconnaissance (ISR) access and cooperation.

Other Issues

¶11. (SBU) Finally, Australia under Rudd will likely continue to be a strong ally of the United States on counterproliferation and arms control issues. He is likely to continue Australia's strong support for our position on the North Korea and Iran nuclear issues. He has announced his opposition to exporting Australian uranium to India because it would weaken the NPT, which India has not signed. However, he has not yet decided whether to support consensus in the Nuclear Suppliers Group and the IAEA on granting an exception for India, as a non-NPT member, which is a precondition to concluding the U.S.-India civil nuclear agreement with the United States.

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